



STATE OF WASHINGTON  
DEPARTMENT OF SOCIAL AND HEALTH SERVICES

P.O. Box 45010, Olympia, Washington 98504-5010

January 27, 2011

Donald M. Berwick, M.D.  
Administrator  
Department of Health & Human Services  
200 Independence Avenue S.W., Mailstop 314G  
Washington, D.C. 20201

Dear Dr. Berwick:

We are very pleased to receive approval of Washington's request for a new section 1115 Medicaid Demonstration project entitled "Transitional Bridge" and to accept the award for project number 11-W-00254/10, effective from January 1, 2011 through December 31, 2013.

Approval of the Demonstration was critical for the current 2011 Legislature to construct a budget that will enable enrolled individuals ("Transition Eligibles") to sustain coverage through the Demonstration programs. While the long term viability of these programs remains uncertain, we believe that their termination would have been unavoidable without approval of the Demonstration.

At this time the 2011 Legislature is in session and is considering ongoing financing for the Demonstration programs. Until the supplemental budget for state fiscal year 2011 and the biennial budget for state fiscal year 2011-2013 are finalized, our best estimates of average annual enrollment in the Demonstration programs remain those provided in December as part of revised budget neutrality calculations. They are included in the following table along with actual total January 2011 enrollment for the programs as requested.

Demonstration Program	Average Annual Demonstration Enrollment	January 2011 Total Subsidized Enrollment
Basic Health (BH)	~43,300	55,614
Disability Lifeline – Medical Care Services (DL)	~16,000	17,553
Alcohol and Drug Addiction Treatment and Support Act – Medical Care Services (ADATSA)	~4,000	3,952

We understand that Washington's Demonstration is conditioned on limitations specified in the list of approved expenditure authorities and Title XIX requirements not applicable, and the Special Terms and Conditions (STCs) provided in the approval notification. Statutory changes<sup>1</sup> are currently before the 2011 Legislature to direct program modifications that conform to these STCs.

<sup>1</sup> Current versions of SB5148 and its companion bill HB1312 are available at: <http://apps.leg.wa.gov/billinfo/>

We also understand that because the Transitional Bridge operates within the constraints of the 1115 Medicaid Demonstration, it does not grant entitlement status to all potential enrollees.

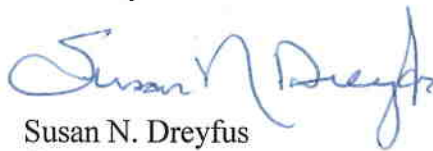
Our review of the approved Demonstration documents indicates that a number of revisions were incorporated after our comments were provided on the previous draft. As a result we have enclosed a list of technical amendments and clarifications needed to affirm our mutual understanding and agreement with the Demonstration conditions.

Washington's contact for this Demonstration is Jenny Hamilton, who may be reached at (360) 725-1101 and through email at [Jenny.Hamilton@dshs.wa.gov](mailto:Jenny.Hamilton@dshs.wa.gov). For communications on program matters and official correspondence, she may be reached at the following address.

Medicaid Purchasing Administration  
626 8<sup>th</sup> Avenue, S.E.  
P.O. Box 45502  
Olympia, Washington 98504-5502.

Your staff have been most generous in giving time and thought to develop an agreeable and flexible Demonstration partnership. We look forward to working with you over the three year Demonstration period as an opportunity to sustain coverage for qualified low-income Washington residents and progressively transition towards compliance with other requirements of the Affordable Care Act.

Sincerely,



Susan N. Dreyfus  
Secretary

Enclosure

cc: Doug Porter, Administrator and Medicaid Director, Health Care Authority and Medicaid Purchasing Administration  
Preston Cody, Director, Basic Health and Health Care Services, Health Care Authority and Medicaid Purchasing Administration  
Roger Gantz, Director, Medicaid Purchasing Administration  
Jenny Hamilton, Project Manager, Medicaid Purchasing Administration  
Cindy Mann, Director, CMS  
Kelly Heilman, Health Insurance Specialist, CMS  
Nick Lutes, Budget Assistant to the Governor, Office of Financial Management  
Manning Pellanda, Director, Medicaid Purchasing Administration  
Barbara Richards, Associate Regional Administrator, CMS Seattle Regional Office  
Heidi Robbins-Brown, Deputy Administrator, Medicaid Purchasing Administration  
Jonathan Seib, NHR Policy Advisor, Governor's Office

**Washington State Transitional Bridge Demonstration**  
**Project Number 11-W-00254/10**

**Expenditure Authorities #1. Technical Amendment**

The Seattle Regional Office identified an issue in the phrase “...*who have not been determined to be eligible for Medicaid*...” as a result of specific eligibility processing meant by the term “*determined*”. It is their understanding that this inadvertently negates the ability for Washington to claim federal match for current Basic Health enrollees who have not yet completed their annual recertification (and its associated Medicaid screening). We agreed that an amendment to the phrase to change the word “*determined*” to “*found*” would resolve the issue. This same amendment applies in section IV.17.a.i.

**Expenditure Authorities #2.b. Technical Amendment**

As described in the Special Terms and Conditions (STCs) section VI.23.d.i., Basic Health enrollees in some rural areas may have only one managed care organization (MCO) available. To be consistent with the STCs, the expenditure authorities need to reference Demonstration Population 1a (Basic Health) in addition to Demonstration Population 1b (Disability Lifeline) which is included now.

**Title XIX Requirements Not Applicable #3. Technical Amendment**

This authority was changed after our review of the final draft version of Demonstration conditions and unfortunately no longer reflects the agreed intent. For example, with the existing, and potential, waiting lists for Demonstration programs, misinterpretation of the date an “*application is filed*” could result in many months of retroactive eligibility becoming applicable to an individual who comes off a waiting list. Because the added cost to programs could be substantial our agreed intent was to make retroactive eligibility not applicable to the Demonstration populations.  
i.e.,

*“To permit the State not to offer retroactive eligibility to Transition Eligibles”.*

**Title XIX Requirements Not Applicable #12. Technical Amendment**

To be technically correct, this requirement should read “*except for those that are also Indian Health Service, Tribal section 638, or Urban Indian Organization...*”. We would interpret the requirement in this way whether or not this amendment is made, since there are no facilities that meet all three designations.

**Special Terms and Conditions Section II. Technical Amendment**

In addition to sustaining coverage for Transition Eligibles, Washington State’s goal has also been to sustain coverage for non-Transition Eligible individuals enrolled in the Demonstration programs. These individuals are fully State-funded because they would be ineligible for Medicaid under an early expansion of the Affordable Care Act.

Changes made to the second paragraph of the STC Program Description and Objectives after our review of the final draft STCs added a sentence that appears to now require a maintenance of effort for “non-Transition Eligible” enrollees in Demonstration programs.  
i.e.,

*“[Note: Washington will sustain coverage for approximately 30,000 individuals that will remain in the State-only programs as they would not currently meet the 2014 Affordable Care Act eligibility criteria.]”*

We understand that although non-Transition Eligibles benefit from program modifications required by the Demonstration STCs, they are not covered by the STCs as a Demonstration group. We ask that the sentence referenced above be removed to avoid any misunderstanding.

#### **Special Terms and Conditions Section IV.17. Affirmation of Grandfathering**

Our discussions regarding eligibility and enrollment have made it clear that proactive disenrollment of Transition Eligibles would not comply with section IV.17. To confirm - we understand the phrase "*must sustain coverage for current enrollees*" to mean that for each of the Demonstration groups, any changes in eligibility require grandfathering of current Transition Eligibles according to the eligibility criteria in place at the time of their enrollment. For example, the impact on Transition Eligibles of changes in the Disability Lifeline eligibility grant standard directed by the Legislature during the December 2010 Special Session, is as follows:

Enrollment Status at Next Eligibility Review	Basis for Determining Continued Eligibility
Continuously enrolled under the "old" standard (\$339/month) with current income level <u>no higher</u> than the "old" standard	"Old" standard (\$339)
Newly enrolled under the "new" standard (\$266/month)	"New" standard (\$266)

Lowering of average annual enrollment would be achieved by attrition of current enrollees and a cap on new enrollment, but not by proactive disenrollment of Transition Eligibles.

#### **Special Terms and Conditions Section VII Cost-Sharing. Technical Amendments**

For operational efficiency and in anticipation of an approved Demonstration containing Section VII.24.a.ii. requirements, monthly premiums for the lowest income band A Basic Health enrollees were reduced to 2009 levels (from \$34.00 to \$17.00). This represents about 35% of Basic Health enrollment. In Section VII.24.a.i., which does not apply to this group, a technical amendment is needed to correct a typo reference to January 1, 2010. This should be January 1, 2011. The basis for 2011 premium calculations, in comparison with 2010, is as follows:

Income Band	Federal Poverty	2010 Member Premium Share	2011 Member Premium Share	2010 Premium as % of income	2011 Premium as % of income	Change
A	0-65%	\$34.00	\$17.00	5.80%	2.83%	-2.96%
B	65-100%	\$45.00	\$45.00	6.04%	5.91%	-0.13%
C	100-125%	\$60.00	\$60.00	5.91%	5.78%	-0.13%
D	125-140%	38.4%	38.4%	7.58%	7.36%	-0.22%
E	140-155%	48.0%	48.0%	8.51%	8.26%	-0.24%
R	155-170%	58.8%	58.8%	9.46%	9.19%	-0.27%
G	170-185%	71.3%	71.3%	10.50%	10.20%	-0.30%
H	185-200%	85.0%	84.0%	11.54%	11.08%	-0.46%

We recognize the cost sharing exemptions permitted under section 5006 of the Recovery Act for American Indians/Alaska Natives. To this end, our comments on the final draft STCs included a request to insert the phrase "*individuals who have been determined to be American Indians/Alaska Natives*" in the limitations on premiums (Section VII.24.a.) and on point of service and annual cost sharing (Section VII.24.b.). This technical amendment was made in Section VII.24.a. but was inadvertently omitted from Section VII.24.b. It is required to clarify the population to whom the limitation applies for service providers and managed care organizations.

## **Special Terms and Conditions Section X General Financial Requirements. Technical Amendments**

Minor technical amendments are suggested to correct references as follows:

- Section X.40.c. should read "*section XI of these STCs*" not section XII.
- Section X.41. should read "*section IV of these STCs*" not section V.
- Section X.44. should read "*section X of these STCs*" not section XI.